

## Message Text

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ACTION EA-10

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INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 879

E.O.11652: GDS

TAGS: ETRD, CH, US

SUBJECT: VISIT OF SAN FRANCISCO CHAMBER OF COMMERCE DELEGATION;  
VICE FOREIGN TRADE MINISTER DISCUSSES SINO-US TRADE

REF: STATE 94115

SUMMARY. THE REPRESENTATIVES TO THE GREATER SAN FRANCISCO CHAMBER OF COMMERCE SAW NUMEROUS HIGH LEVEL CHINESE TRADE OFFICIALS DURING THE PEKING PORTION OF THEIR VISIT TO CHINA. THEY WERE TOLD BY VICE MINISTER OF FOREIGN TRADE YAO I-LIN THAT THE MAIN OBSTACLE TO US-CHINA TRADE IS POLITICAL, AND THAT NO IMPORTANT BREAKTHROUGH IN THIS TRADE CAN BE EXPECTED UNTIL THE TAIWAN PROBLEM IS RESOLVED. END SUMMARY.

1. DURING THE PEKING PORTION OF THEIR CHINA VISIT (APRIL 29-MAY 7), THE REPRESENTATIVES OF THE GREATER SAN FRANCISCO CHAMBER OF COMMERCE MET WITH SENIOR OFFICIALS OF THE CHINA COUNCIL FOR PROMOTION OF INTERNATIONAL TRADE (::085), THE SEVEN MAJOR IMPORT AND EXPORT CORPORATIONS, THE BANK OF CHINA, AND CHINESE INSURANCE AND SHIPPING  
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ORGANIZATIONS. THEY WERE ALSO RECEIVED BY VICE-MINISTER

OF FOREIGN TRADE YAO I-LIN AND WERE PARTICULARLY IMPRESSED BY THE HARD LINE HEMGOOK ON SINO-US TRADE. THE DELEGATION PROVIDED USLO OFFICERS WITH A BRIEF RUN-DOWN OF ITS IMPRESSIONS, AND PROMISED TO MAKE AVAILABLE A FULLER REPORT AFTER THEIR RETURN TO THE US.

2. ACCORDING TO THE DELEGATION, VICE MINISTER YAO STRESSED THE POLITICAL ISSUES RELATING TO TRADE, AND EMPHASIZED THERE CAN BE NO IMPORTANT BREAKTHROUGH IN US-CHINA TRADE UNTIL THE TAIWAN ISSUE IS RESOLVED. YAO SAID THE MAIN OBSTACLE TO BILATERAL TRADE IS POLITICAL, NOT FROZEN ASSETS-PRIVATE CLAIMS, MFN, OR THE TRADE IMBALANCE. HE SAID THAT IN CONNECTION WITH THE PURCHASE OF A STEEL MILL, ONE US COMPANY WAS IN AN EXCELLENT POSITION WITH REGARD TO TECHNICAL ABILITIES AND COMPETITIVE PRICE, BUT THE FIRM COULD NOT BE CONSIDERED BECAUSE THE POLITICAL REQUIREMENTS IN US-CHINA RELATIONS HAD NOT BEEN MET. YAO SAID IT WOULD BE DIFFICULT FOR THE CHINESE GOVERNMENT TO EXPLAIN MAJOR PURCHASES FROM THE US TO THE MAN IN THE STREET.

3. THE DELEGATION SAID THAT IN OTHER MEETINGS, CHINESE TRADE OFFICIALS MADE REFERENCE TO THE LACK OF MFN AND THE TRADE IMBALANCE, BUT DID NOT PRESS EITHER OF THESE ISSUES HEAVILY. THE FROZEN ASSETS-PRIVATE CLAIMS QUESTION CAME UP OFTEN, APPARENTLY IN RESPONSE TO QUESTIONS FROM TWO BANKERS AND ONE SHIPPING OFFICIAL IN THE DELEGATION WHO ARE ANXIOUS TO ESTABLISH LINKS WITH THE PRC. CHINESE OFFICIALS, THE DELEGATION SAID, TOOK THE LINE THAT THE MAIN OBSTACLE TO RESOLVING THE ASSETS-CLAIMS PROBLEM IS US INTRANSIGENCE, BUT THEY REFUSED TO PROVIDE FURTHER EXPLANATION. IN REGARD TO BANKING, THE CHINESE INDICATED AN INTEREST IN ESTABLISHING ADDITIONAL CHANNELS FOR THE HANDLING OF REMITTANCES FROM OVERSEAS CHINESE IN THE US.

4. DURING A MEETING WITH CHINA NATIONAL TECHNICAL IMPORT CORPORATION, THE CHINESE SHOWED INTEREST IN NUCLEAR POWER GENERATION AND ASKED ONE OF THE DELEGATION MEMBERS, E.J. MANONEY, VICE PRESIDENT OF BECHTEL, TO SEND THEM INFORMATION. IN REPLY TO THEIR QUESTION WHETHER IT WOULD BE POSSIBLE FOR A US FIRM TO SELL A NUCLEAR POWER PLANT

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TO CHINA, MANONEY SAID THAT WOULD HAVE TO BE DEALT WITH ON A GOVERNMENT TO GOVERNMENT BASIS.

5. IN DISCUSSION WITH LI SH'UAN, A VICE PRESIDENT OF CCPIT, THE DELEGATION ASKED ABOUT THE POSSIBILITY OF A CHINESE TRADE FAIR IN S.F. IN 1976. LI SAID IT WOULD NOT BE POSSIBLE, THAT CCPIT HAS AN UNDERSTANDING WITH THE NATIONAL COUNCIL FOR US-CHINA TRADE FOR THE RECIPROCAL

SPONSORING OF THE FIRST US AND CHINESE EXHIBITIONS, AND HE THOUGHT THESE WOULD BE HELD IN THE CAPITAL CITIES OF THE TWO COUNTRIES.

6. OVERALL, THE S.F. CHAMBER REPRESENTATIVES WERE VERY PLEASED WITH THEIR RECEPTION AND THE HIGH LEVEL TREATMENT THE CHINESE ACCORDED THEM. THEY MAINTAINED CLOSE CONTACT WITH USLO, WHICH PROVIDED A BRIEFING AFTER THEIR ARRIVAL IN PEKING AND THEY INCLUDED MR. BUSH AND USLO OFFICERS IN THEIR RETURN BANQUET. THE DELEGATION DEPARTED MAY 8 FOR THE CANTON FAIR, AFTER WHICH THEY ARE SCHEDULED TO VISIT SHANGHAI AND SOOCHOW BEFORE RETURNING TO THE US.

7. COMMENT: AMONG CHINESE OFFICIALS, VICE MINISTER YAO HAS TAKEN THE STRONGEST LINE ON THE NEED TO RESOLVE POLITICAL PROBLEMS BEFORE ANY IMPORTANT EXPANSION OF TRADE. HE DID THIS IN A MEETING WITH VISITING US GOVERNORS LAST MAY (PEKING 828) AND IN DISCUSSION WITH A USLO OFFICER AT OUR LAST JULY 4 RECEPTION. WHILE IT IS DIFFICULT TO EVALUATE THE EXTENT TO WHICH US FIRMS ARE DISADVANTAGED, WE BELIEVE THERE HAS BEEN SOME EVIDENCE OF DISCRIMINATION AGAINST US FIRMS FOR REASONS WHICH APPEAR POLITICAL (PEKING 82). IT DOES NOT FOLLOW OF COURSE THAT TRADE WILL NECESSARILY BOOM ONCE THE POLITICAL PROBLEMS ARE RESOLVED.

8. YAO'S COMMENT ABOUT A US FIRMS HAVING BEEN IN THE RUNNING FOR CHINA'S STEEL PLANT PURCHASES (MADE LAST YEAR FROM JAPAN AND WEST GERMANY) IS A SURPRISE, AND MAY ONLY HAVE BEEN A HYPOTHETICAL EXAMPLE. WHILE SOME US FIRMS WERE INVOLVED AS SUBCONTRACTORS, WE HAD NOT HEARD OF ANY

BEING CONSIDERED FOR ANY MAJOR SEGMENTS OF THE PROJECT.

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